

M e m o r a n d u m

To: Panel Members Date: November 20, 2003

From: Diana Torres, Manager Analyst: R. Negrete

Subject: One-Step Agreement for **Cliffstar Corporation**

CONTRACTOR:

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Moving To A High Performance Workplace
Stimulating Exports/Imports
Promotion Of California's Manufacturing Workforce
- Type of Industry: Manufacturing
- Repeat Contractor: No
- Contractor's Full-Time Employees
 - Worldwide: 1,300
 - In California: 165
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

CONTRACT:

- Program Costs: \$98,670
- Substantial Contribution: \$0
- Total ETP Funding: \$98,670
- Total In-kind Contribution: \$113,000
 - Trainee Wages Paid During Training: \$113,000
 - Other Contributions: \$0
- Reimbursement Method: Fixed-Fee
- County(ies) Served: San Bernardino

INTRODUCTION:

As an industrially classified manufacturer of private label fruit juices facing out-of-state competition, Cliffstar Corporation (Cliffstar) qualifies for standard Employment Training Panel (ETP) funding, under Title 22, California Code of Regulations, Section 4416(b). Cliffstar proposes to retrain 165 California workers from its Fontana manufacturing facility in the skills necessary to enable the company to adapt to a high performance workplace.

The training provided to production workers, maintenance staff, support staff, administrative staff, managers and supervisors will enable Cliffstar to remain viable as a California fruit juice maker.

MEETING ETP GOALS AND OBJECTIVES:

Cliffstar Corporation proposes training that will further the following ETP goals and objectives:

- 1) As fruit juice manufacturer, Cliffstar proposes a training program that meets ETP's legislative mandate to foster the retention of manufacturing jobs within the state.
- 2) Training is targeted to meet the need for a skilled workforce in the fruit juice industry, where companies face strong competition from outside of California. This project meets ETP's legislative mandate to foster job retention in industries threatened by out-of-state competition.
- 3) This project meets ETP's legislative mandate to develop frontline workers with skills that prepare them for the high performance workplace of the future.
- 4) This project meets ETP's legislative mandate to stimulate exports/imports.

TRAINING PLAN TABLE:

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 Retrainees	Menu: Business Skills Computer Skills Continuous Improvement Manufacturing Skills	165	40 - 60	-0-	\$598	*\$10.98 - \$47.37
					<u>Prevalent Hourly Wage</u> \$11.00	
					<u>Average Cost Per Trainee</u> \$598	
<u>Health Benefits Used To Meet ETP Minimum Wage:</u> * Health benefits of at least \$1.43 per hour will be applied to the base wage for some Job 1 trainees to meet the ETP minimum hourly wage of \$10.98 per hour for San Bernardino County for Calendar Year 2003.				<u>Turnover Rate</u> 15%	<u>% Of Mgrs & Supervisors To Be Trained:</u> 4%	
<u>Other Employee Benefits:</u> life insurance, accidental death and dismemberment insurance, travel assistance program, tuition reimbursement program, employee assistance program, paid vacation, 11 paid holidays, funeral leave, 401 (k) plan.						

COMMENTS / ISSUES:

➤ ***Frontline Workers***

Of the 165 retrainees in the proposed training plan, 158 (96 percent) meet the Panel's definition of frontline workers under Title 22 California Code of Regulations (CCR), Section 4400(ee). The remaining seven (4 percent) retrainees are managers.

➤ ***Production During Training***

The proposed Contractor agrees that during ETP-funded training, retrainees will not produce products or provide services which will ultimately be sold.

PROPOSED ACTION:

Staff recommends that the Panel approve this Agreement, if funding is available, and the project meets the Panel priorities.

NARRATIVE:

Cliffstar Corporation is the nation's largest manufacturer and packager of private label fruit juices for grocery, warehouse and other chain stores. The corporate headquarters is in Dunkirk, New York and operates six manufacturing plants throughout the United States, including the Fontana, California plant, site of the proposed training.

Cliffstar currently controls 70 percent of the private label juice market; however, growing foreign competition is jeopardizing its current market share. To combat its out-of-state competition, Cliffstar must manufacture its fruit juice products more efficiently and eliminate costs attributed to waste. In addition, these changes will enable Cliffstar to keep its prices competitive and maintain and expand market share.

After an internal assessment, company management identified fruit juice loss and machine down time as significant areas for improvement. The assessment found that at least five percent of its product is lost during the production process. The assessment also found significant loss of plastic containers and boxes due to machine damage or operator error, areas directly controlled by the frontline workforce. The assessment further found that employees need to better understand their impact on each discrete step of the juicing process, from inspecting the incoming fruit, making the fruit juice, to ensuring that the packaging meets customer's discriminating standards. Finally, the assessment determined that Cliffstar needs a more flexible workforce to decrease production inefficiencies.

As a result of Cliffstar's critical business needs, it proposes to cross-train production workers in the skills necessary to reduce juice loss and machine downtime by 25 percent. These objectives will assist Cliffstar in attaining its productivity goals and enable it to maintain high-paying manufacturing jobs in California. Adapting to a high performance workplace will enable the company to create a highly skilled and flexible workforce that can increase productivity, reduce fruit juice loss and machine down time, adapt to customer quality demands, and improve individual employee decision-making.

Cliffstar management developed a curriculum consisting of 40 – 60 hours of business skills, computer skills, continuous improvement, and manufacturing skills. It proposes to retrain 165 production, administrative support, truck drivers, supervisory and management employees. Truck drivers will be provided customer service, time and organizational skills continuous improvement training to enable them improve their on-time delivery services.

Business Skills training will provide management and supervisory staff the skills to better manage the quality and manufacturing processes, conduct special projects, develop customer relationships and improve inter-departmental communications. These skills are expected to result in cost reductions, reduce cycle times and increase product quality.

Computer Skills training will provide SAP software training for administrative staff and production workers. In addition, computer skills training will provide its workforce with the necessary skills to use the company's stand-alone office products. Efficient use of the system will enable retrainees to define, analyze, and control processes such as juice loss in support of the company's continuous improvement efforts.

NARRATIVE: (continued)

Continuous Improvement training for production workers and customer service staff will provide lean enterprise/manufacturing training and variance reduction techniques consistent with Six Sigma. It will ensure that decisions are made at the level closest to the work product.

Manufacturing Skills training for production workers will provide workers with the skills necessary to identify and fix quality control problems at the individual workstation, rather than at the finished products inspection stage. In addition, manufacturing cross-training is expected to improve frontline worker skills in packaging, shipment, and delivery of company products.

Supplemental Nature of Training

Panel Legislation requires that ETP funds be used to supplement, rather than displace, funds available through existing programs conducted by employers and government-funded programs.

The proposed Contractor spends approximately \$50,000 per year in company-funded training including safety training, new-hire orientations, a tuition reimbursement program and job specific skills training provided primarily on an individual basis. An example of job specific training is the training of a packager on how to palletize a new juice product with different container or box size. Other jobs require similar training specific to the job. Company representatives state that company-funded training will continue two years after ETP-funded training.

The proposed Contractor states that ETP-funded training is focused on continuous improvement consistent with a high performance workplace, and would not occur without ETP funding, due to limited company resources. ETP-funded training will accelerate training to increase productivity, and reduce operational costs, wasted juice, and scrap containers. ETP-funded training will provide the most critical training to enable the company to achieve their cost and productivity goals, especially since a competitor recently opened a Southern California plant.

SUBCONTRACTORS:

American Business Concepts, of Redlands, California - \$12,500 to provide the majority of project administration services.

American Business Concepts, of Redlands, California – in an amount to be determined, to provide a portion of Business Skills, Continuous Improvement and Manufacturing Skills class/lab training.

THIRD PARTY SERVICES:

American Business Concepts, of Redlands, California assisted the Applicant in conducting the training needs assessment, and provided assistance in developing the training plan, curriculum and other application requirements for a flat fee of \$5,000.

CLIFFSTAR CORPORATION
MENU CURRICULUM

Hours
Class/Lab

40 - 60

Trainees will receive any of the following

A. BUSINESS SKILLS

Strategic And Operational Planning
Project And Process management
Customer service and complaint resolution
Intermediate Communication Skills

B. CONTINUOUS IMPROVEMENT

Lean enterprise and manufacturing skills
Variance Reduction and process improvement
Leadership skills for frontline workers
Time and organizational skills for frontline workers
Effective team communication

C. COMPUTER SKILLS

Enterprise Resource Planning (ERP) Software – Navigation Skills
And Implementation tools
Spreadsheets/Database
Internet and Intranet skills

D. MANUFACTURING SKILLS

Total Productive Maintenance/Manufacturing
Quick Response Manufacturing Techniques
Sustaining quality specifications during production, shipping and
installation
Loading and shipping skills to meet specifications
Production Equipment Operation and Maintenance
Preventative maintenance on operational equipment
Hazardous materials disposal
- elimination of environmental problems
- reduction and disposal of hazardous materials

0 - 4 hours